

**Testimony Presented to the
Commerce Committee of the Connecticut General Assembly**

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H.B. No. 5978

An Act Expanding the Research and Development Tax Credit for Bioscience Companies

Good morning Senator Hartley, Representative Perone, Senator Crisco, Representative Vargas , Senator Frantz, Representative Camillo, members of the Commerce Committee.

I'm Paul Pescatello, here today as Chair of the Connecticut Bioscience Growth Council.

I am also President/CEO of the New England Biotechnology Association and Chair of We Work for Health Connecticut.

The Connecticut Bioscience Growth Council is a committee of the Connecticut Business and Industry Association's biotech and biopharma members.

The Bioscience Growth Council was formed as a means to foster collaboration both among Connecticut biotech and biopharma companies themselves and, just as importantly, *with* our state. As you know, Connecticut – *this* General Assembly – has chosen wisely to invest in the life sciences as a foundation for Connecticut's 21st century economy and as a means to create a broad spectrum of jobs.

The strides we have made in regenerative medicine and stem cell research, and the research and economic development already being accomplished by Jackson Labs, names only a few of the dividends generated by this Connecticut investment.

I am here to speak in support of House Bill No. 5978, An Act Expanding the Research and Development Tax Credit for Bioscience Companies.

Biotech and biopharma companies are about research and development; they are *defined* by research and development.

It takes approximately \$1.5 billion and at least a dozen years to bring a new medicine or medical device from concept to working concept, through early clinical development and then large clinical trials, to final Food and Drug Administration approval for use by patients.

This research and development profile is in stark contrast to other industries. For example, a software application for a mobile device can be developed in less than a year for tens of thousands of dollars, not, again, over a decade and billions of dollars.

It is critical that biopharma companies be able to use, to balance, their investments *without* returns – medicines in development – against returns from approved products – medicines on pharmacy shelves.

If we in Connecticut want the biopharma headquarters and their laboratories, and the jobs that go with those headquarters and labs, we must show these companies we understand their business model and value their huge research and development investments.

HB5978 encourages biopharma research and development by proposing an increase to the research and development tax credit and by authorizing the redemption of unused or “stranded” research and development tax credits from previous years.

This is very good policy and we support it.

But we would underscore that the bill is moot if the budget proposals outlined yesterday become law.

Capping research and development credits at 35% of their value for 2015, 45% of their value for 2017 and at 60% of their value in the years thereafter – and bringing use of net operating losses down from 70 to 50% of their value – sends precisely the wrong message to our existing base of biotechs and biopharmas and, of course, to companies we hope to recruit to Connecticut.

It sends a message that our incentives cannot be counted on, our policies are inconsistent, and our stated rates are really just labels only loosely related to reality – 35% is the new 100%.

I would like to point out that Massachusetts’ —Connecticut’s most formidable competitor in building a biopharma cluster and attracting biopharma companies—R&D tax credit is marketed and is in fact a permanent feature of the Massachusetts tax code. It is my understanding that the stated rate of the Massachusetts R&D tax credit is not diminished by separate formulas elsewhere in the Massachusetts tax code or budget legislation. It can be used to reduce a corporation’s tax to the Massachusetts minimum corporate tax, \$456.

I urge you to approve this bill and to resist efforts to balance our budget by gutting research and development incentives. Such action would undermine the foundation of an industry we have invested in heavily as a means to build a new and healthy jobs base for Connecticut.

I would be happy to answer any questions you may have or expand upon any points made in my testimony.

Thank you.